

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Economic Development Corp - City of Flint	County Genesee
Fiscal Year End 6/30/07	Opinion Date 11/14/07	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

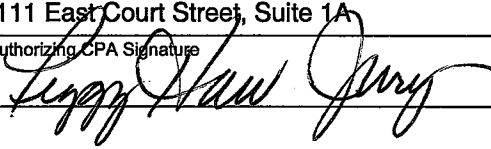
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number (810) 767-5350	
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Zip 48502			
Authorizing CPA Signature 	Printed Name Peggy Haw Jury	License Number 1101009025	

**Economic Development Corporation of the City of Flint
Flint, Michigan
(a component unit of the City of Flint, Michigan)**

**Financial Report
with Supplemental Information
June 30, 2007**

Economic Development Corporation of the City of Flint

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Economic Development Corporation of the City of Flint

Appointed Officials

Mayor Donald J. Williamson

President

Mr. Lawrence Ford

Chairman

Mr. Marshall Sanders

Treasurer

Ms. Jean Conyers

Secretary

Ms. Donna Dodds Hamm

Flint City Councilman, Erhen Gonzales

Flint City Councilman, Kerry Nelson



Plante & Moran, PLLC

Suite 1A

111 E. Court St.

Flint, MI 48502

Tel: 810.767.5350

Fax: 810.767.8150

plantemoran.com

Independent Auditor's Report

To the Board of Directors
Economic Development Corporation
of the City of Flint
Flint, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Economic Development Corporation of the City of Flint (EDC), a component unit of the City of Flint, as of and for the year ended June 30, 2007, which collectively comprise EDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of EDC's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Flint Economic Development Corporation, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

November 21, 2007

Economic Development Corporation of the City of Flint

Management's Discussion and Analysis

As management of the Economic Development Corporation (EDC), we offer readers of the EDC financial statements this narrative overview and analysis of the financial activities. This section of the City of Flint EDC's annual financial report presents our discussion and analysis of the EDC's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the EDC's financial statements, which follow this section.

Financial Highlights

- The EDC total net assets at June 30, 2007 decreased by \$19,060 to \$1,209,810 from the June 30, 2006's total net assets of \$1,228,870.
- A total of \$743,258 is restricted in the EDC for the revolving loan program which is an increase of \$45,703 over the prior restricted balance of \$697,555.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the EDC as a whole and present a longer-term view of the EDC's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the EDC's operations in more detail than the government-wide financial statements by providing information about the EDC's most significant funds.

Analysis of Government-wide Financial Statements

Summary of Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current assets	\$214,416	\$785,623	\$ 6,890	\$ 23,258	\$ 221,306	\$ 808,811
Noncurrent assets:						
Other	530,473	69,919	-	-	530,473	69,919
Capital assets	-	-	493,324	545,792	493,324	545,792
Total assets	<u>744,889</u>	<u>855,542</u>	<u>500,214</u>	<u>569,050</u>	<u>1,245,103</u>	<u>1,424,592</u>
Current liabilities	-	88,068	35,293	107,654	35,293	195,722
Long-term liabilities	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>88,068</u>	<u>35,293</u>	<u>107,654</u>	<u>35,293</u>	<u>195,722</u>

Economic Development Corporation of the City of Flint

Management's Discussion and Analysis (Continued)

Summary of Condensed Statement of Net Assets – (continued)

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net assets:						
Invested in capital assets - net of related debt	-	-	493,324	545,792	493,324	545,792
Restricted	743,258	697,555	-	-	743,258	697,555
Unrestricted (deficit)	1,631	69,919	(28,403)	(84,396)	(26,772)	(14,477)
Total net assets	<u>\$744,889</u>	<u>\$767,474</u>	<u>\$464,921</u>	<u>\$461,396</u>	<u>\$1,209,810</u>	<u>\$1,228,870</u>

Summary of Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue						
Program revenue:						
Charges for services	\$ -	\$ 35,062	\$ 110,604	\$ 93,680	\$ 110,604	\$ 128,742
Contributions	-	29,904	91,372	-	91,372	29,904
General revenue:						
Interest	32,749	44,820	-	-	32,749	44,820
Miscellaneous	46	-	23,348	-	23,394	-
Total revenue	<u>32,795</u>	<u>109,786</u>	<u>225,324</u>	<u>93,680</u>	<u>258,119</u>	<u>203,466</u>
Program Expenses						
Economic development	55,380	136,002	-	-	55,380	136,002
Rental operations	-	-	221,799	186,650	221,179	186,650
Total program expenses	<u>55,380</u>	<u>136,002</u>	<u>221,799</u>	<u>186,650</u>	<u>277,179</u>	<u>322,652</u>
Change in Net Assets	<u>(22,585)</u>	<u>(26,216)</u>	<u>(3,525)</u>	<u>(92,970)</u>	<u>(19,060)</u>	<u>(119,186)</u>
Net Assets – Beginning of year	<u>767,474</u>	<u>793,690</u>	<u>461,396</u>	<u>554,366</u>	<u>1,228,870</u>	<u>1,348,056</u>
Net Assets – End of year	<u>\$744,889</u>	<u>\$767,474</u>	<u>\$464,921</u>	<u>\$461,396</u>	<u>\$1,209,810</u>	<u>\$1,228,870</u>

Economic Development Corporation of the City of Flint

Management's Discussion and Analysis (Continued)

The governmental net assets decreased \$22,600 from last year's balance of \$767 thousand to \$745 thousand. This is a 3 percent decline. This decline is due to refunding of fees charged to the City Revolving Loan funds in prior years.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – was virtually exhausted by refunding the Revolving Loan fund fees, leaving a balance of \$1,631 for our non-revolving loan fund governmental activities. Restricted net assets (restricted for economic development loans) increased \$46 thousand to \$743 thousand. Of the amount, the U.S. Economic Development Administration, due to low usage of the funds, has sequestered \$530 thousand.

EDC's business-type activities consist of the Oak Business Center. The Oak Business Center is a small business incubator facility which leases commercial and light industrial space to new businesses. The net assets of business type activities increased by \$3,525 from last year's balance of \$461 thousand. While this change amounts to less than a 1 percent increase, it contrasts the 12 to 16 percent declines experienced the last few years.

Unrestricted net assets – the part of the net assets that can be used to finance day-to-day operations – has been in deficit since fiscal year 2004. This deficit was reduced from \$(84,396) to \$(28,403) during fiscal year 2007. This \$55,993 change represents a 66 percent reduction of the deficit in unrestricted net assets.

During the fiscal year 2007, the Oak Business Center (OBC) management changes initiated in fiscal year 2006 continued, including the processes of updating lease agreements, improving rent collections, and marketing the center's vacancies. A contribution from the City of Flint was also received. These two items combined to bring about the improved results.

EDC's Funds

Our analysis of EDC's funds begins following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not EDC as a whole. EDC's board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. EDC's funds for 2007 include the General Fund, the State Revolving Loan Fund, and the Oak Business Center.

Economic Development Corporation of the City of Flint

Management's Discussion and Analysis (Continued)

Analysis of Governmental Funds Financial Statements

Governmental Funds, (everything but Oak Business Center), are reported in the third and fourth statements in the report, which are the Balance Sheet, and Statement of Revenue, Expenditures, and Changes in Fund Balances. As stated previously, the EDC has two governmental funds, General Operations and the State Revolving Loan Fund (RLF).

The EDC "general fund" is used to account for the day to day operations of EDC. It is used to account for all financial resources of the EDC, except those required to be accounted for in another fund. Expenses in FY-07 exceeded revenues by \$68,288 reducing fund balance to less than 2,000. This resulted from administration fees charged to revolving loan funds in prior years in error. Reimbursements in the amount of \$56,697 were therefore made to the revolving loan funds.

The State Revolving Loan fund generated interest revenue of \$27,848, and received a \$18,707 reimbursement from the EDC general fund in FY-07. Bank fees, in the amount of \$852, were the only expenditures in FY-07 generating a \$45,703 increase in fund balance. The \$743,258 State Revolving Loan fund balance is entirely reserved for economic development loan activity. The U.S. Economic Development Administration ("EDA"), as the granting agency of the State revolving loan fund, has sequestered \$530,473 of these funds due to inadequate loan activity. EDC administration is working with officials from EDA to resolve this situation.

Business-type Activities

Oak Business Center (OBC) had an increase in net assets of \$3,525 in FY-07. This is in contrast with the last three fiscal years losses, each of which were greater than \$(85,000). Fixed assets declined \$52,486 due to depreciation of assets. This is 13% lower than the \$60,377 decline experienced in FY-06. The unrestricted net assets increased \$55,993 bringing the unrestricted net asset deficit to \$(28,403) from last year's deficit of \$(84,396). This year's improvement is due to the contribution from the City of Flint, and improved operating results. FY-07 operating loss was \$(83,901). This is a 9% improvement from the \$(91,945) operating loss experienced in FY-06. Lease income increased, for the first time in four years, to \$110,604. This is almost \$20,000 (22%) higher than FY-06 lease income of \$90,823. Total operating income for FY-07 was almost \$134,000, which is \$40,000 higher than FY-06. An insurance reimbursement accounts for \$22,005 of the increase. FY-07 operating expenses of almost \$218,000, however, exceeded FY-06 expenditures by \$32,228. The major cause of this increase was a \$24,000 increase in bad debt expenses due to writing of uncollectible lease receivables. It is anticipated that improvements in operating results will continue in FY-08.

Economic Development Corporation of the City of Flint

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget.

Capital Asset and Debt Administration

EDC's investment in capital assets for its business type activities as of June 30, 2007 amounts to \$493,324 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, and machinery and equipment. The total decrease in EDC's investment in capital assets for the current fiscal year was 9.6%.

Economic Factors

Besides having state authority to issue revenue bonds to provide lease contracts to commercial enterprises, its primary responsibility is to administer the revolving loan funds for the city. The city has four RLFs (City revolving loan funds 1 & 2, CDBG funded BDF revolving loan fund, and EDC's State revolving loan fund).

The EDC made several changes to improve its administrative capacity to operate the revolving loan fund and reduce large unused pool of cash. The EDC established a loan review committee to work with staff. Staff has been hired to operate the loan programs, including a program director, a full-time loan officer, a contract compliance officer, and a loan processor to administer the loan portfolios, including tracking loans and collecting payments and ensuring compliance with federal regulations governing revolving loan funds. EDC retained legal counsel to assist in preparation and legal recording of collateral documents and to assist with loan defaults and foreclosures. These corrective actions should improve loan production during the next fiscal years.

Contacting the EDC's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the EDC's finances and to demonstrate the EDC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Flint's Finance Department, 1101 South Saginaw Street, Flint, MI 48502.

Economic Development Corporation of the City of Flint

Statement of Net Assets June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 149,297	\$ -	\$ 149,297
Cash held with agent	65,119	-	65,119
Receivables (net of allowance - \$96,679)	-	3,490	3,490
Prepaid expenses	-	3,400	3,400
Restricted assets	530,473	-	530,473
Capital assets - Net			
Assets not subject to depreciation	-	93,860	93,860
Assets subject to depreciation	-	399,464	399,464
Total assets	744,889	500,214	1,245,103
Liabilities			
Accounts payable	-	14,814	14,814
Due to primary government	-	14,764	14,764
Deposits payable	-	5,715	5,715
Total liabilities	-	35,293	35,293
Net Assets			
Invested in capital assets	-	493,324	493,324
Restricted for revolving loan program	743,258	-	743,258
Unrestricted (deficit)	1,631	(28,403)	(26,772)
Total net assets	\$ 744,889	\$ 464,921	\$ 1,209,810

See Notes to Financial Statements.

Economic Development Corporation of the City of Flint

Statement of Activities Year Ended June 30, 2007

Functions\Programs	Program Revenues			Net Expense and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental activities:						
Economic development	\$ 55,380	\$ -	\$ -	\$ (55,380)	\$ -	\$ (55,380)
Total governmental activities	55,380	-	-	(55,380)	-	(55,380)
Business-type activities						
Rental operations	221,799	110,604	91,372	-	(19,823)	(19,823)
Total business-type activities	221,799	110,604	91,372	-	(19,823)	(19,823)
Total primary government	\$ 277,179	\$ 110,604	\$ 91,372	(55,380)	(19,823)	(75,203)
General revenues:						
Interest				32,749	-	32,749
Miscellaneous				46	23,348	23,394
Total general revenues				32,795	23,348	56,143
Change in Net Assets				(22,585)	3,525	(19,060)
Net Assets - Beginning				767,474	461,396	1,228,870
Net Assets - Ending				\$ 744,889	\$ 464,921	\$ 1,209,810

See Notes to Financial Statements.

Economic Development Corporation of the City of Flint

Balance Sheet Governmental Funds June 30, 2007

	General Operations	Special Revenue State RLF	Total
Assets			
Cash and cash equivalents	\$ -	\$ 149,297	\$ 149,297
Cash held with agent	1,631	63,488	65,119
Restricted assets	-	530,473	530,473
Total assets	<u>\$ 1,631</u>	<u>\$ 743,258</u>	<u>\$ 744,889</u>
Fund Balances			
Reserved:			
Restricted assets	-	530,473	530,473
Economic development activity	-	212,785	212,785
Unreserved - Undesignated	1,631	-	1,631
Total fund balances	<u>1,631</u>	<u>743,258</u>	<u>744,889</u>
Total liabilities and fund balances	<u>\$ 1,631</u>	<u>\$ 743,258</u>	<u>\$ 744,889</u>

See Notes to Financial Statements.

Economic Development Corporation of the City of Flint

Statement of Revenue, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2007

	General Operations	Special Revenue State RLF	Total
Revenue			
Interest	\$ 4,901	\$ 27,848	\$ 32,749
Miscellaneous	46	18,707	18,753
Total revenue	4,947	46,555	51,502
Expenditures			
Current - economic development			
Professional services	16,538	-	16,538
Bank fees	-	852	852
Administrative fee reimbursement	56,697	-	56,697
Total expenditures	73,235	852	74,087
Excess (deficiency) of revenue over expenditures	(68,288)	45,703	(22,585)
Fund Balance - Beginning of year	69,919	697,555	767,474
Fund Balance - End of year	\$ 1,631	\$ 743,258	\$ 744,889

See Notes to Financial Statements.

Economic Development Corporation of the City of Flint

Statement of Net Assets Oak Business Center - Enterprise Fund June 30, 2007

Assets

Current assets:

Receivables:

Leases (net of allowance - \$9,165) \$ 3,490

Prepaid costs 3,400

Total current assets 6,890

Capital assets (net of accumulated depreciation) 493,324

Total assets \$ 500,214

Liabilities

Current liabilities:

Accounts payable 14,814

Deposits payable 5,715

Due to primary government 14,764

Total current liabilities 35,293

Net Assets

Invested in capital assets 493,324

Unrestricted (deficit) (28,403)

Total net assets \$ 464,921

Economic Development Corporation of the City of Flint

Statements of Revenue, Expenses, and Changes in Net Assets Proprietary Fund Type (Enterprise Fund) Year Ended June 30, 2007

Operating Revenue	
Lease income	\$ 110,604
Miscellaneous income	23,348
	<hr/>
Total operating revenue	133,952
	<hr/>
Operating Expenses	
Salaries and wages	40,511
Fringe benefits	3,253
Utilities	21,539
Repairs and maintenance	15,560
Telephone	4,906
Depreciation	60,068
Professional services	9,988
Insurance	30,323
Office supplies	2,995
Bad debt expense	28,375
Miscellaneous expense	335
	<hr/>
Total operating expenses	217,853
	<hr/>
Operating loss	(83,901)
	<hr/>
Nonoperating Revenue (Expenses)	
Contribution from primary government	91,372
Interest expense	(3,946)
	<hr/>
Total nonoperating revenue (expense)	87,426
	<hr/>
Change in net assets	3,525
	<hr/>
Net Assets - Beginning of year	461,396
	<hr/>
Net Assets - End of year	\$ 464,921
	<hr/>

See Notes to Financial Statements.

Economic Development Corporation of the City of Flint

Statement of Cash Flows Proprietary Fund Type (Enterprise Fund) June 30, 2007

Cash Flow from Operating Activities

Receipts from customers	\$ 88,898
Miscellaneous receipts	1,343
Payments to suppliers	(78,948)
Payments to employees	(43,764)
Net cash used in operating activities	(32,471)

Cash Flow from Noncapital Financing Activities

Contribution from primary government	91,372
Repayment of loans from other funds	(69,919)
Loan from primary government	14,764
Interest paid	(3,946)
Net cash provided by noncapital financing activities	32,271

Net decrease in cash and equivalents (200)

Cash and Equivalents - Beginning of year 200

Cash and Equivalents - End of year \$ -

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (83,901)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	60,068
Bad debt expense	28,375
Changes in assets and liabilities:	
Receivables	(21,706)
Prepays	9,499
Accounts payable	(2,288)
Deposits	(22,518)
Net cash used in operating activities	\$ (32,471)

Noncash Transactions

Purchase of capital assets of \$7,600 are included in accounts payable at year end.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies

The accounting policies of the Economic Development Center of the City of Flint (EDC) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies used by the EDC:

A. Reporting entity

The Economic Development Corporation of the City of Flint (EDC) was incorporated on June 14, 1978, under the provision of Act 338 of the Public Acts of 1974, as amended, for the following purposes: to alleviate and prevent conditions of unemployment, to assist and retain local industries and commercial enterprises, to strengthen and revitalize the economy of the State of Michigan and particularly the City of Flint, to provide the means and methods for encouragement and assistance of industrial and commercial enterprises in locating and expanding in the State of Michigan and particularly in the City of Flint, and to encourage the relocation and expansion of commercial enterprises to more conveniently provide needed services and facilities to the commercial enterprises, to the City of Flint and residents thereof.

One means of accomplishing these purposes is through the use of lease contracts with commercial and industrial enterprises. According to the terms of the lease contracts, the EDC agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial or industrial enterprise, and the enterprise agrees to make lease payments equal to the bond principal and interest payments. The revenue bonds are payable solely from the net revenues derived from the project, and the bonds are collateralized by a mortgage on the project and the lease contract. Since each bond issued by the EDC is payable solely from the net revenues derived from the related project through lease payments, and since the bonds are not a general obligation of the EDC, the bonds and related lease contracts have not been reflected in the financial statements of the EDC.

Scope of reporting entity:

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Economic Development Corporation of the City of Flint and its component units, entities for which the EDC is financially accountable. The EDC is considered a "component unit" of the City of Flint's governmental operation. As a result, governmental reporting standards require the City to include the financial activities of the EDC in the city's Annual Financial Report. The Annual Financial Report of the City of Flint is available for public inspection at City Hall.

The EDC assists the City of Flint's Department of Community Development in administering various revolving loan fund programs. However, since the EDC does not control the bank accounts of these programs, the transactions are not reported in the financial statements of the EDC, but rather in the City's financial statements.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

A. Reporting entity (continued)

Brownfield Redevelopment Authority component unit:

On July 28, 1997, the City Council of the City of Flint created the Brownfield Redevelopment Authority (Authority). The Authority was established to be under the supervision and control of a Board consisting of the board of directors of the Economic Development Corporation of the City of Flint. The Authority has the powers and duties to the full extent as provided by and in accordance with Act 381 of the Public Acts of the State of Michigan of 1996. The Authority was also responsible for creating a Brownfield plan for the Brownfield Redevelopment Zone. The duration of the plan is thirty years. The Brownfield Authority is considered a component unit of the EDC and is reported within this financial statement. The Authority has not had any financial activity since its inception.

The director of the Authority is to be a City staff person acting as agent for the Brownfield Redevelopment Authority and is covered under the City's insurance and bonding policy.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest income and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The EDC reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

State Revolving Loan Special Revenue Fund – This special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The fund currently accounts for state revolving loan grant funds held to provide loans to small businesses.

The EDC reports the following major proprietary fund:

Oak Business Center – This fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Oak Business Center Enterprise Fund is a small business incubator facility which leases commercial and light industrial space to new businesses.

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The EDC has elected not to follow subsequent private-sector guidance issued after November 30, 1989 for its business type activities.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the EDC's enterprise fund relates to charges to customers for leased space. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Bank deposits and investments

The EDC's cash and cash equivalents include cash on hand and demand deposits. The carrying amount of deposits is separately displayed on the financial statements as "cash and cash equivalents". Investments consist of money market funds and are stated at fair value.

2. Cash held with agent

The City of Flint is the acting fiscal agent for EDC. The City of Flint holds cash on behalf of the EDC for operations.

3. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the *fiscal* year are referred to as "advances to/from other funds" Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statement as "internal balances."

Activity between the EDC and the City of Flint that are representative of lending/borrowing arrangements outstanding at the end of the *fiscal* year are referred to as either "due to/from the primary government (City of Flint).

All trade receivables for Oak Business Center tenants, are shown net of an allowance for uncollectibles. Oak Business Center rent receivable for non-current tenants and current tenants over 90 days comprise the trade accounts receivable allowance for uncollectibles of \$9,165.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

4. Prepaid items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

5. Restricted Assets

The excess funds of the State Revolving Loan fund were sequestered in a separate bank account since the capital loaned or committed fell below the EDC's required capital utilization percentage in two consecutive reporting periods. The amount sequestered (\$530,473 at June 30, 2007) is the difference between actual capital utilization in the second reporting period and target capital utilization, including matching funds. If EDC fails to achieve the applicable target capital utilization percentage after a reasonable period of time, it may be subject to sanctions such as suspension or termination. The sequestered amount consists of cash and cash equivalents and has been classified as restricted assets.

6. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the EDC is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Building improvements	10-20
Machinery equipment	5

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, management believes any such difference would not be material to the financial statements taken as a whole.

Note 2 - Stewardship, Compliance, and Accountability

Fund deficits:

The Oak Business Center Enterprise Fund has an unrestricted net asset deficit of \$28,403 at June 30, 2007.

Excess of expenditures over appropriations:

The following fund incurred expenditures in excess of appropriations:

	<u>Final Budget</u>	<u>Actual</u>
General fund	\$ 40,000	\$ 73,235

Note 3 - Detail Notes on All Funds

A. Deposits and investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The EDC has designated Citizens Bank and Chase Bank for the deposit of its funds. The EDC also has funds held by the City of Flint in the City's name. The EDC's deposits and investment policies are in accordance with statutory authority.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note 3 - Detail Notes on All Funds (Continued)

A. Deposits and investments (continued)

The EDC's cash is subject to the below detailed risk.

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the EDC had \$479,770 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Deposits at June 30, 2007, are reflected on the balance sheet of the Corporation as follows:

Cash and cash equivalents	\$149,297
Cash held with agent	65,119
Restricted assets	<u>530,473</u>
	<u>\$744,889</u>

B. Capital assets

Capital asset activity for the EDC's business-type activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities:				
Capital assets, not being depreciated:				
Land	\$ 93,860	\$ -	\$ -	\$ 93,860
Total capital assets, not being depreciated	<u>93,860</u>	<u>-</u>	<u>-</u>	<u>93,860</u>
Capital assets, being depreciated:				
Buildings	514,782	-	-	514,782
Improvements other than buildings	686,577	7,600	-	694,177
Machinery and equipment	17,046	-	-	17,046
Total capital assets being depreciated	<u>1,218,405</u>	<u>7,600</u>	<u>-</u>	<u>1,226,005</u>
Less accumulated depreciation for:				
Buildings	444,644	25,739	-	470,383
Improvements other than buildings	304,783	34,329	-	339,112
Machinery and equipment	17,046	-	-	17,046
Total accumulated depreciation	<u>766,473</u>	<u>60,068</u>	<u>-</u>	<u>826,541</u>
Total capital assets, being depreciated, net	<u>451,932</u>	<u>(52,468)</u>	<u>-</u>	<u>399,464</u>
Proprietary activities capital assets, net	<u>\$ 545,792</u>	<u>\$ (52,468)</u>	<u>\$ -0-</u>	<u>\$ 493,324</u>

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note 3 - Detail Notes on All Funds (Continued)

B. Capital assets

Fixed assets purchased through TIFA funds:

During the year ending June 30, 1989, the Tax Increment Finance Authority (TIFA) of the City of Flint contributed \$760,000 to the EDC to enable the EDC to purchase the Oak Business Center, a small business incubator facility. TIFA contributed an additional \$343,642 during the years ended June 30, 1991 through 2000 for capital improvements to the Oak Business Center. The EDC is managing the facility and is accounting for its operations in the Oak Business Center Enterprise Fund.

There are no capital assets used for governmental activities.

C. Interfund receivables, payables, and transfers

Due to/from primary government (City of Flint) and component units (EDC) at June 30, 2007 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - General Fund	Component unit - Enterprise Fund	<u>\$ 14,764</u>

The balance owing from the Oak Business Center to the primary government resulted from the General Fund of the City of Flint covering the negative cash balance in the pooled cash accounts held at the City.

There were no transfers between funds over the reporting period.

E. Oak Business Center unrestricted net asset deficit

Oak Business Center is currently incurring operating losses. Management has reviewed these losses and has plans to modify rental rates for fiscal year 2007 as well as receive operating contributions from the City of Flint.

Note 4 - Other Information

A. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. The EDC did not receive any grant funding in 2007, but grants expended prior to the current year are still subject to grantor compliance monitoring. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note 4 - Other Information (Continued)

B. Risk management

The EDC is exposed to various risks of loss to property loss, and torts. The EDC has purchased commercial insurance for tort claims and certain property damage and theft. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

C. Contributed material and services

The City of Flint provides administrative services to the EDC, acting as its fiscal agent.

No amounts have been reflected in the statements for contributed materials or services as no objective basis is available to measure the value of such goods and services.

D. Related party transactions

The Economic Development Corporation provides services to its primary government, the City of Flint. EDC provides services related to the administration of the City's revolving loan fund. In return, EDC is eligible to earn administrative revenue equal to half of the interest earned on these revolving loans. Due to no loan activity, there was no administrative fee revenue recorded during the fiscal year.

E. Lease contracts and bonds

As of June 30, 2007, the Corporation had issued thirty-one bonding projects, as described in Note I. Following are details of each bond issue:

Project: Parking Ramp
Amount of issue: \$4,000,000
Date of issue: June 1979
Rate and terms: 8.5%; 30 years

Project: Electronics Firm
Amount of issue: \$525,000
Date of issue: November 26, 1980
Rate and terms: 9 3/4% ceiling - 6% floor actual rate,
floats at 2/3 of prime rate; 15 years

Project: Bowling Center
Amount of issue: \$1,200,000
Date of issue: December 1, 1980
Rate and terms: 9%; 15 years

Project: Industrial Lift Trucks
Amount of issue: \$900,000
Date of issue: December 16, 1980
Rate and terms: 9 1/4%; 20 years

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note 4 - Other Information (Continued)

E. Lease contracts and bonds - (continued)

Project: Plumbing Supply Firm
Amount of issue: \$450,000
Date of issue: March 30, 1981
Rate and terms: 65% of prime; 15 years

Project: Retail Mall
Amount of issue: \$645,000
Date of issue: May 18, 1981
Rate and terms: 8.5%; 14 years

Project: Office Development Center
Amount of issue: \$550,000
Date of issue: July 7, 1981
Rate and terms: 8.5%; 20 years

Project: Realty Office Construction
Amount of issue: \$360,000
Date of issue: November 20, 1981
Rate and terms: 13%; 25 years

Project: Plumbing Supply Firm
Amount of issue: \$100,000
Date of issue: March 30, 1981
Rate and terms: 65% of prime; 5 years

Project: Office Development Center
Amount of issue: \$200,000
Date of issue: July 7, 1981
Rate and terms: 8.5%, 10 years

Project: Nursing Home
Amount of issue: \$3,600,000
Date of issue: December 1, 1982
Rate and terms: 12 1/2%; 28 years

Project: Medical Clinic
Amount of issue: \$550,000
Date of issue: November 1, 1982
Rate and terms: 11%; 20 years

Project: Investment Company
Amount of issue: \$330,000
Date of issue: October 1, 1983
Rate and terms: 66 2/3% of prime; 14 years

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note 4 - Other Information (Continued)

E. Lease contracts and bonds - (continued)

Project: Accounting Firm

Amount of issue: \$230,000

Date of issue: December 1, 1983

Rate and terms: 75% of prime; 20 years

Project: Plumbing Supply Wholesaler

Amount of issue: \$500,000

Date of issue: December 12, 1983

Rate and terms: 11%; 12 years

Project: Oil Processing

Amount of issue: \$2,000,000

Date of issue: December 1, 1983

Rate and terms: 75% of prime; 14 years

Project: Manufacturing

Amount of issue: \$5,500,000

Date of issue: December 1, 1983

Rate and terms: 95% of prime; 10 years

Project: Accounting Firm

Amount of issue: \$270,000

Date of issue: December 1, 1983

Rate and terms: 75% of prime; 7 years

Project: Manufacturing

Amount of issue: \$1,000,000

Date of issue: October 1, 1984

Rate and terms: 68% of prime; 3 years

70% of prime; 3 years

72% of prime; 5 years

Project: Retail and Office Development

Amount of issue: \$900,000

Date of issue: November 29, 1985

Rate and terms: Greater of 85% of prime or 7%; 10 years

Project: Manufacturing

Amount of issue: \$1,132,000

Date of issue: July 1, 1986

Rate and terms: 80% of prime; 20 years

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note 4 - Other Information (Continued)

E. Lease contracts and bonds - (continued)

Project: Health Care Facilities

Amount of issue: \$804,000

Date of issue: December 31, 1988

Rate and terms: 66% of (prime + 1)

+ .3 percentage points; 20 years

Project: Health Care Facilities

Amount of issue: \$2,100,000

Date of issue: December 31, 1988

Rate and terms: 66% of (prime + 1)

+ .3 percentage points; 7 years

Project: Counseling Facilities

Amount of issue: \$1,950,000

Date of issue: December 31, 1988

Rate and terms: 66% of (prime + 1)

+ .3 percentage points; 20 years

Project: Health Care Facilities

Amount of issue: \$2,945,210

Date of issue: August 1, 1993

Rate and terms: 66% of prime

+ 30 basis points, 10 years

Project: Manufacturing

Amount of issue: \$1,975,000

Date of issue: December 1, 1993

Rate and terms: Variable (lower floater pricing); 15 years

Project: Educational Facility

Amount of issue: \$7,000,000

Date of issue: July 1, 1994

Rate and terms: 75% of Bond Buyer Revenue

Bond index rate; 20 years

Project: Educational Facility

Amount of issue: \$2,500,000

Date of issue: February 1, 1997

Rate and terms: 75% of Bond Buyer Revenue

Bond index rate; 20 years

Project: Manufacturing

Amount of issue: \$2,800,000

Date of issue: September 27, 1997

Rate and terms: Variable; 9 years

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2007

Note 4 - Other Information (Continued)

E. Lease contracts and bonds - (continued)

Project: Manufacturing

Amount of issue: \$7,500,000

Date of issue: December 1, 1998

Rate and terms: Variable

Project: Health Care Facilities

Amount of issue: \$12,835,000

Date of issue: August 15, 2001

Rate and terms: Variable, \$245,000 in 2008
balance 2022

F. EDC designation

The City of Flint has designated the EDC as the City's agent for purposes of managing, preserving, enhancing, and marketing all of the unoccupied commercial and industrial properties owned by the City so that said properties may be managed, preserved, enhanced, and marketed by the EDC for use in commercial and industrial projects.

A separate Revolving Building Fund is to be established to be used to account for the funds raised by the sale of any such properties. No sales or property resulting in proceeds to the EDC have occurred since the designation. Since the fund is inactive, it has not been reported in the financial statements.

Required Supplemental Information

Economic Development Corporation of the City of Flint

	General Operations			
	Budget		Actual	Variance with Amended Budget
	Original	Final		
Revenue				
Interest	\$ -	\$ -	\$ 4,901	\$ 4,901
Miscellaneous	20,000	20,000	46	(19,954)
Total revenue	20,000	20,000	4,947	(15,053)
Expenditures				
Economic development				
Professional services	36,000	35,950	16,538	(19,412)
Bank fees	-	-	-	-
Loans	-	-	-	-
Miscellaneous	4,000	4,050	56,697	52,647
Total expenditures	40,000	40,000	73,235	33,235
Excess of Revenue Over (Under) Expenditures	(20,000)	(20,000)	(68,288)	(48,288)
Other Financing Sources (Uses)				
Transfers in	20,000	20,000	-	(20,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	20,000	20,000	-	(20,000)
Net change in fund balance	-	-	(68,288)	(68,288)
Fund Balance - Beginning of year	69,919	69,919	69,919	-
Fund Balance - End of year	\$ 69,919	\$ 69,919	\$ 1,631	\$ (68,288)

Budgetary Comparison Schedule - Governmental Funds Year Ended June 30, 2007

Special Revenue - State RLF				
Budget		Actual	Variance with Amended Budget	
Original	Final			
\$ -	\$ -	\$ 27,848	\$ 27,848	
-	-	18,707	18,707	
-	-	46,555	46,555	
5,000	25,000	-	(25,000)	
-	-	852	852	
685,000	665,000	-	(665,000)	
-	-	-	-	
690,000	690,000	852	(689,148)	
(690,000)	(690,000)	45,703	735,703	
-	-	-	-	
(10,000)	(10,000)	-	10,000	
(10,000)	(10,000)	-	10,000	
(700,000)	(700,000)	45,703	745,703	
697,555	697,555	697,555	-	
\$ (2,445)	\$ (2,445)	\$ 743,258	\$ 745,703	



Plante & Moran, PLLC

Suite 1A

111 E. Court St.

Flint, MI 48502

Tel: 810.767.5350

Fax: 810.767.8150

plantemoran.com

Report on Internal Control

November 21, 2007

To the Board of Directors
Economic Development Corporation
of the City of Flint
Genesee County, Michigan

Dear Board Members:

Beginning with this year's audit, national auditing standards now call for auditors to communicate matters to the governing body that may be useful to you in your oversight of the Economic Development Corporation of the City of Flint's (EDC) financial management. Specifically, they require us to report internal control issues to you that may be relatively minor, in order to allow you to evaluate their significance, and make any changes you may deem appropriate. The purpose of these new standards are to allow you an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this new **Report on Internal Control** will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues:

In planning and performing our audit of the financial statements of the Economic Development Corporation of the City of Flint as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the EDC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the EDC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be significant a deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We do not believe that the following deficiency constitutes a material weakness.

Capital Assets

The capital asset schedule was updated during the year for depreciation expense however, the current year addition was not added to the schedule. It appears that an invoice was accrued at year end after the schedule was updated and thus not identified. We recommend that the balances per the capital asset schedule be reconciled to the general ledger to ensure that the two are in agreement.

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Plante & Moran, PLLC

A handwritten signature in cursive script, reading "Peggy Haw Jury".

Peggy Haw Jury, CPA